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3 July 1952

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## **CURRENT INTELLIGENCE DIGEST**

**Office of Current Intelligence**

**CENTRAL INTELLIGENCE AGENCY**

This digest of significant reports has been prepared primarily for the internal use of the Central Intelligence Agency. It does not represent a complete coverage of all current reports received. Comments represent the immediate views of the Office of Current Intelligence.

**State Department review completed**

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SOVIET UNION

1. New Soviet hydroelectric station reported almost completed: A TASS broadcast to North America on 30 June announced the approaching completion of a new and powerful hydroelectric station in the eastern part of the Kazakh Republic on the Siberian river Irtysh.

According to the broadcast a huge dam and a deep navigable sluice have been built at the construction site. Building operations were reported to have continued without interruption even during the severe Siberian frosts when temperatures sometimes sank to 40 degrees centigrade.

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Comment: Construction on this project, one of several to utilize the waters of the Irtysh, began in 1939 and continued slowly throughout World War II. When placed in operation, it will supply the industrial enterprises and the mines of East Kazakhstan, which reportedly include zinc, tin, wolfram, molybdenum and gold.

EASTERN EUROPE

2. Joint Polish-Soviet maneuvers reported in Baltic coastal area:

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[redacted] on 28 June that [redacted]  
[redacted] Polish troops under Minister of National Defense Rokossovski and Soviet troops held joint division level maneuvers from 10 to 23 June in an area south and eastward of Kolobrzeg on the Baltic coast. Approximately 100 MIG-15's supported the maneuver, which is reported to have been a repeat of the Soviet Army's 1945 campaign against the Germans from Warsaw to Kolobrzeg.

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Comment: Polish troops have been on field training for the past month. [redacted] may have seen Soviet advisers with these troops, which led him to believe that joint maneuvers were being held. There have been no known Polish maneuvers held above regimental level.

Unconfirmed reports from recent residents of Poland state that during May there was considerable military activity along the Polish Baltic coastal area from Stettin to Gdynia.

3. Russian troops allegedly clash with Rumanian frontier guards: The Athens radio reports a bloody clash at Timisoara in western Rumania where drunken Russian soldiers fired on members of a Rumanian frontier guard regiment, killing two and wounding several others.

The Rumanians are said to have always hated the invader from the East. They strongly resent the better life led by Soviet occupation forces, while the Russians lose no opportunity to show their contempt for the Rumanians. Perhaps in the not-too-distant future, concludes the broadcast, the Rumanians will unreservedly show their real feelings toward those who have robbed them of their independence. [redacted] 25X1A

Comment: Although this particular report has not been confirmed, it is typical of many such reports and is supported by the fact that a Soviet mechanized division is stationed near Timisoara. There is no organized resistance movement in Rumania, however, which is capable of leading a move to "show the Rumanians' real feeling" toward Soviet occupation forces.

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FAR EAST

4. Tokyo Embassy reports growing rift in Liberal Party: Prime Minister Yoshida has been temporarily blocked in his efforts to appoint Kanji Fukunaga as Secretary General of the Liberal Party, according to the American Embassy in Tokyo. In a prolonged session on 1 July marked by general disorders and fist-fights, a Liberal Party caucus was forced to recess without a decision.

The Embassy views the Prime Minister's inability to secure immediate approval of Fukunaga's nomination as a reflection of the growing rift within the party between the Yoshida and Hatoyama factions, and a lessening of Yoshida's control over the party. [redacted]

Comment: Hatoyama, who passed the presidency of the Liberal Party on to Yoshida when he was purged in 1946, has been increasingly critical of Yoshida's policies. A struggle for control appears to be developing, which, if permitted to reach the point of an actual split, could seriously affect the party's success in the coming general elections.

5. Japanese request repatriation of Bonin Islanders: Foreign Minister Okazaki has raised with Ambassador Murphy the question of eventual repatriation of approximately 7,000 ex-residents of the Bonin Islands who were evacuated in 1944 and are now in Japan proper. He stated that it is hard for the Japanese to understand American resistance to this move, especially in view of the previous return of 135 Bonin residents of Japanese blood and nationality but descendants of American and European settlers.

Ambassador Murphy reports that refusal to permit repatriation is giving rise to charges in Japan of racial discrimination, territorial aggrandizement and general untoward action on the part of the United States. [redacted]

Comment: A small group of Eurasians, formerly resident in the Bonins, was repatriated in 1946. The Japanese Foreign Office has been urging the repatriation of the remainder, who reportedly are in dire financial straits but are capable of self-support in their native islands.

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6. New North Korean coastal set-up reported: The North Korean Army on 1 June designated the IV Corps as the "West Coast Special Task Force" and the V Corps as the "East Coast Special Task Force,"

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[redacted] Both corps are reported to be completely mobile and, while charged primarily with a defensive mission, are capable of "supporting offensive action." The IV Corps aggregates three infantry, one armored, and one mechanized division, in addition to a mechanized artillery brigade. The V Corps comprises three infantry divisions, one mechanized division, and two artillery brigades.

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Comment: The current deployment of these corps suggests a mission much as described in this report, although this cannot be completely confirmed. Organizationally, the report credits the IV Corps with one too many infantry divisions and the V Corps with a mechanized division whose existence also cannot be confirmed.

If this new organization is correct, presumably the North Korean VII Corps in the Wonsan area is now available for combat duty.

7. Communist plans for economic rehabilitation of North Korea reported: A "Korean Rehabilitation Conference" reportedly took place in a town north of Pyongyang between 14 and 16 May,

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[redacted]. It was attended by three Chinese Foreign Ministry officials, several North Korean Foreign Affairs officers and two Soviet representatives.

The conference allegedly resulted in the formation of the "Democratic Nations Aid-Korea Rehabilitation Council" which was to be jointly administered by the USSR and Communist China and would be authorized to arrange for shipments of needed materials from Eastern Europe to North Korea.

The North Korean Government attempted to place the POW issue on the agenda in the light of the acute manpower shortage in North Korea, but it was rebuffed in this effort.

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Comment: It is probable that such planning conferences as this have taken place in the Communist Orbit in relation to the problem of rehabilitating Korea. This particular conference and its results cannot be confirmed.

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25X1 8. Chinese Nationalist guerrillas raid Communist-held island:

[redacted] 1,000 Nationalist  
guerrillas from the Tachen islands staged a day-long raid on  
a Communist-held island near the Fukien coast on 10 June.  
The guerrillas reportedly killed 200 Communists, took 10  
prisoners, and captured large quantities of equipment. [redacted]

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Comment: This type of raid has often been reported in  
the area. The Nationalists have recently stated that they  
have reinforced these islands with two regular regiments in  
order to release the guerrillas there for such operations  
more frequently.

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WESTERN EUROPE

9. East German paramilitary demonstration reportedly scheduled for 11 July: Units of all East German paramilitary organizations, with the latest equipment including tanks, are reportedly scheduled to march in East Berlin on 11 July, the last day of the Socialist Unity Party conference. Representatives of the party and contingents of the East German Youth organization will also participate in the parade.

Meanwhile, documents of doubtful reliability have disclosed Communist plans for President Pieck, in an address to the party convention, to announce regulations for the conscription of all males between 18 and 45. Registration is to be started immediately, and the age limit extended to 59 if a state of emergency is proclaimed.

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Comment: [redacted] previously reported that a law setting up the East German armed forces would be announced on 10 or 11 July at the party congress. The report stated that some 12,000 infantrymen would then parade at the Marx-Engels Platz in Berlin.

10. Soviet jets conduct target practice in Berlin air corridor: Two Soviet MIG-15's were observed on 1 July making gunnery passes at a target towed by a single-engined Soviet plane, well within the southern air corridor to Berlin, approximately 50 miles southwest of the city.

As four-power agreements specifically prohibit the towing of objects by aircraft within the corridors, American authorities in Berlin are protesting the incident.

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11. French-Saar relations seen as "very tense": The American Consul in Strasbourg reports that relations between the French and Saar governments are "very tense" as a result of the Saar cabinet's recent refusal, contrary to French Foreign Minister Schuman's wishes, to authorize Saar branches of the German Social Democratic Party and the Christian Democratic Union.

Although the application of these parties for legal standing in the Saar must be acted upon by mid-July, neither the French nor the Saarlanders appear to know how to break the deadlock.

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Comment: The French Government apparently recommended that branches be authorized in an effort to eliminate a source of friction with the Germans, while the Saar cabinet's move seems to have been motivated by a desire to forestall additional internal political competition.

12. Italy may retaliate against US trade restrictions: The United States refusal to raise the quotas on a few of its Italian imports to compensate for recent import restrictions on a number of other products may, according to an Italian Foreign Office official, lead to Italy's withdrawing tariff concessions made to the United States. The Italian official has also protested to the American Ambassador against possible US restrictions on garlic imports.

Although the over-all economic loss resulting from restrictions on garlic would be small, several localities in the Po Valley, where 65 to 90 percent of the annual crop of eight million pounds is exported to the United States, would be seriously affected.

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Comment: The over-all impact on Italy's economy resulting from American trade restrictions has been small. The restrictions have, however, had adverse psychological repercussions on the Italian public and have contributed to the government's insistence that it cannot prevent the export of strategic items ordered by the Orbit prior to the enactment of the Battle Act.

13. Foreign Minister proclaims indivisibility of Spain's religious unity: The ideal of perfect harmony between Church and State has been achieved in Spain, according to an announcement by Foreign Minister Martin Artajo on 29 June. Each entity, he said, is sovereign in its own domain, but assists the other in order better to serve God and country. Artajo asserted that Spain is determined to defend "this luxury of religious unity."

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Comment: Artajo's remarks reflect the Franco government's growing concern over several disturbing trends in current Church-State relations. They were apparently meant to offset especially the effect on the Spanish people of Cardinal Segura's recent accusations that the civil power is jeopardizing national religious unity by an inordinate desire to appease non-Catholic countries, notably the United States and the Arab countries.

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The Cardinal's repeated protestations against government censorship of Catholic publications, the intransigence of certain Spanish bishops on the question of the Church's autonomy in education, political and social organization, and welfare, as well as the absence of a Concordat with the Vatican, are other facets of a situation that can hardly be described as one of "perfect harmony."

14. Government candidate defeated in Icelandic presidential election: Bishop Bjarni Jonsson, the official presidential candidate of the Conservative and Progressive Parties which comprise the coalition government, was defeated by Asgeir Asgeirsson, leader of the Social Democrats, Iceland's smallest political party, in a close election on 29 June. Asgeirsson enjoyed the official support of some Conservatives, and in addition was helped by the divisive candidacy of an independent Conservativ.

Although the present government will probably remain in office despite its loss in prestige because of this defeat, the election has intensified the bitter personal and party feelings which characterize the political climate in Iceland, and has thereby weakened the coalition cabinet already subject to severe strains. The US military forces in Iceland are not expected to encounter any serious difficulties with a new Icelandic government, except in the unlikely event that Communists are included in a new coalition.

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#### LATIN AMERICA

15. Argentina may not renew contracts with US Naval Advisory Group: The US Naval Advisory Group contracts with the Argentine Navy will probably not be renewed upon their expiration in December 1952, [redacted] The US Embassy in Buenos Aires comments that with the US Air Force already ousted and the US Army mission expected to follow, this step would remove the last vestige of direct US military influence in Argentina. [redacted] 26 June 52) 25X1C

Comment: Each member of the Naval Advisory Group has an individual contract. In mid-May the US Army Mission was informally notified that its contract would not be renewed.

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16. Argentina signs new trade agreement with Italy: A new trade agreement with Italy reportedly gives Argentina a 15-million-dollar credit each year for the next five years. Argentina is to repay a previous 80-million-dollar credit in wheat during the next three to four years. Goods valued at 110 million dollars are to be exchanged each way during the first year of the agreement.

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Comment: Informed Italians are reportedly sceptical that Argentina will meet its obligations. In the past Argentina has been a principal supplier of Italian wheat and a good market for Italian industrial goods.

Argentina is also trying to obtain credits from other countries in an effort to overcome its current financial difficulties.

17. Argentine Air Force officers inspect outlying air bases: High-ranking Argentine Air Force officers have recently been making more frequent inspection trips to outlying military air bases. The US Embassy believes that this means a tightening up of security measures. A purportedly important inspection was to be held in Cordoba on 29 June.

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Comment: These security inspections are probably in response to rumors that the next revolutionary movement may be launched from the interior. Cordoba has been the seat of considerable anti-Peron sentiment.

18. Colombian Acting President's term extended: The Colombian Congress approved on 28 June a resolution permitting President- 25X1 designate Urdaneta to continue in office until 1954. Alzatistas, who claim his term should end on 7 August 1952, were defeated by the large administration majority in both houses.

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Comment: This was the most important and most controversial matter scheduled to come before the special session. The bitter Alzatista opposition, which until recently claimed a majority in the all-Conservative Congress, apparently will be defeated on all other issues by the well-organized administration forces which have refused any concessions to the minority.

19. Guatemalan Army officers reportedly plotting a revolt: Disaffection in the armed forces is increasing and a revolt led by

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the military will overthrow the Arbenz government before the end of August, [redacted] 25X1 leading military figures. The leaders of the plot allegedly plan to assassinate President Arbenz and "from twenty-five to thirty of the individuals with Communist leanings who have influenced the government." [redacted] 25X1A

Comment: General unrest has been growing in Guatemala and the defection of key army officers would considerably raise the chances of successful revolt. However, this is the first recent report suggesting that the military may desert the Arbenz administration or that there may be a serious split within the armed forces.

20. Haiti orders expulsion of foreign Communists: The Haitian Government has ordered the expulsion from Haiti of four French nationals and one Italian citizen for carrying on Communist activities through the Minerva bookstores. [redacted] 25X1

Comment: Communist material has been reported entering Haiti from France, some of it through the mails. The Minerva bookstores, like Editorial Paginas and similar bookshops in Cuba, have apparently been used by Communist elements as distributing agencies for Communist literature, and may have been used as meeting places.

The outlawing of Haiti's Communist Party in 1950 and the suppression of its publication, La Nation, removed the only local source of organized Communist propaganda. This is the first time in a long interval that government authorities have found it necessary to take action against any Communist activity.

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**TOP SECRET SUPPLEMENT**

**TO THE CURRENT INTELLIGENCE DIGEST**

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#### EASTERN EUROPE

1. Finnish Government disturbed with Communist attempts to turn Olympics into peace festival: [redacted]

25X1C [redacted] states that the government is disturbed about the discussion of neutrality at the Berlin Conference of the World Peace Congress, 1-5 July 1952, and possible further efforts to turn the Olympics into a "peace festival."

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Finnish Communists requested the government to send either Foreign Minister Tuomioja, a political independent, or an Agrarian Party leader to Berlin to speak on neutrality. The Finnish Government informed them it was impossible to arrange. This decision was made by the President, Prime Minister and Foreign Minister. [redacted]

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Comment: It is very likely that Finnish Communists will attempt to use the Olympic games as an opportunity to impress upon the visitors the benefits, i.e., Finland's steady postwar recovery, which can result from "neutralism" in the East-West struggle. This would be entirely in keeping with the current Communist strategy of capitalizing on the defeatist and pacifist attitudes which are currently prevalent in a number of European countries.

#### FAR EAST

2. Muccio believes "free" elections not solution to South Korean political impasse: Ambassador Muccio comments that in the near future the United States cannot expect sufficiently free elections for the South Korean National

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Assembly to permit the return of a substantial number of the opposition because of the present police and pro-Rhee youth corps control of the political machinery. There is also the danger that Home Minister Yi Pom-sok and his cronies might get a large number of their followers elected who would be more of a problem for Rhee than the present Assemblymen.

Muccio is "convinced" that both Rhee and a majority of the opposition would prefer a face-saving deal. Yi Pom-sok, however, is the main obstacle to a compromise.

In commenting on the opposition's potential, Muccio states that it is now so completely cowed that there is hardly any possibility of a resort to force, particularly as it has no access to arms.

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3. Burma may be forced into premature military action against Chinese Nationalists:

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the Burmese Defense Minister, U Ba Swe, believes that above-ground Communist agitation may force the government to divert its attention from the Communist insurgents by becoming involved in a premature military campaign against the Chinese Nationalist troops in Kengtung. If the government is not obliged to undertake such action, Ba Swe expects the security situation will be so improved at the end of the monsoons that a successful campaign against the Nationalists could be launched.

Ba Swe [redacted] to approach Taipei authorities concerning a possible repatriation of Chinese Nationalist troops to Taiwan via Rangoon.

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Comment: The aboveground Communists and other leftist elements have been engaged in a concerted propaganda campaign against government failure to attack the Nationalists vigorously, and they have attempted to recruit "volunteers" for an irregular force to send against them.

This report indicates that the government has reversed its former policy of opposition to repatriation, which was based on fear of offending Communist China.

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NEAR EAST - AFRICA

4. Eden fears consequences of Egyptian cabinet difficulties: Great Britain is seeking American support to prevent elimination of "the only sound elements in Egyptian political life" in Cairo's current cabinet shifts. Foreign Secretary Eden apparently fears a return to power of the corrupt palace elements and the Wafd party.

A high British official has stated that he regards the government crisis as a triumph for individuals with close Wafd ties. He feels that Hilali fell primarily because of his efforts to purge such elements, and secondarily because of his failure to reach agreement with a Sudanese delegation which recently visited Egypt. 25X1

Comment: At least one corrupt palace favorite, a man who was allegedly influential in undermining the position of ex-Premier Hilali, is in the new cabinet announced as formed on 2 July.

The Sirry cabinet includes only one hold-over from the relatively capable and friendly Hilali government. Ambassador Caffery reports from Cairo that Sirry experienced difficulty in attracting responsible men into what they consider merely a temporary "caretaker" government.

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